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AUDITOR-CONTROLLER

COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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March 28, 2016

TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: John Naimo 
Auditor-Controller

SUBJECT: **TO HELP EVERYONE CLINIC, INC. DBA TO HELP EVERYONE
HEALTH AND WELLNESS CENTERS – A DEPARTMENT OF PUBLIC
HEALTH DIVISION OF HIV AND STD PROGRAMS PROVIDER –
CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of To Help Everyone Clinic, Inc. dba To Help Everyone Health and Wellness Centers (T.H.E. or Agency), which included a sample of transactions from Contract Years (CY) 2012-13 and 2013-14. The Department of Public Health, Division of HIV and STD Programs (DHSP) contracts with T.H.E. to provide Ryan White Comprehensive AIDS Resources Emergency Act services such as medical outpatient, medical care coordination, mental health psychiatry, and HIV testing.

The purpose of our review was to determine whether T.H.E. appropriately accounted for and spent DHSP funds to provide the services outlined in their County contracts. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with their County contracts and other applicable guidelines.

Our review covered four DHSP contracts with T.H.E., for which DHSP paid the Agency approximately \$602,000 on a fee-for-service and cost-reimbursement basis during CYs 2012-13 and 2013-14. T.H.E. provides services to residents of all Supervisorial Districts.

Results of Review

T.H.E. maintained adequate documentation to support clients' eligibility for DHSP services, and maintained personnel files as required. However, the Agency inappropriately allocated shared expenditures. Specifically, T.H.E.:

- Inappropriately allocated costs for the medical outpatient and mental health psychiatry contracts. The Agency charged DHSP up to the budgeted amounts for most approved costs, instead of allocating the expenditures using an allowable and equitable cost allocation methodology. Based on the percentage of DHSP client visits to total client visits, T.H.E. overbilled DHSP \$79,126 during CY 2012-13. Subsequent to our review, T.H.E. provided documentation to support additional costs incurred that were not originally posted to the Agency's financial records accurately. This resulted in the questioned costs being reduced to \$7,841.

T.H.E.'s attached response indicates that they agree to repay DHSP \$7,841.

- Charged for pharmaceutical supplies, office supplies, and printing expenditures that were billed based on contract budgets, instead of actual conditions as required.

T.H.E.'s attached response indicates that they have reallocated the expenditures and there is no balance due to repay.

Details of our review, along with recommendations for corrective action, are attached (Attachment I).

Review of Report

We discussed our report with T.H.E. and DHSP. T.H.E.'s attached response (Attachment II) indicates agreement with our findings and recommendations. DHSP will work with T.H.E. to ensure that our recommendations are implemented.

We thank T.H.E. management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:PH:DC:EB:ku

Attachments

- c: Sachi A. Hamai, Chief Executive Officer
Cynthia A. Harding, M.P.H., Interim Director, Department of Public Health
Beverly T. Davis, Chair, To Help Everyone Health and Wellness Centers
Clifford Shiepe, Chief Executive Officer, To Help Everyone Health and Wellness Centers
Public Information Office
Audit Committee

**TO HELP EVERYONE CLINIC, INC.
DBA TO HELP EVERYONE HEALTH AND WELLNESS CENTERS
DIVISION OF HIV AND STD PROGRAMS
CONTRACT COMPLIANCE REVIEW
CONTRACT YEARS 2012-13 AND 2013-14**

ELIGIBILITY

Objective

Determine whether To Help Everyone Clinic, Inc. dba To Help Everyone Health and Wellness Centers (T.H.E. or Agency) maintained documentation to support the eligibility of individuals that the Agency claimed received the Department of Public Health, Division of HIV and STD Programs (DHSP), Ryan White Comprehensive AIDS Resources Emergency Act (Ryan White) services.

Verification

We reviewed the documentation stored in the case files for 15 (4%) of the 417 individuals that T.H.E. claimed received Ryan White services from March 2013 through February 2014.

Results

T.H.E. maintained documentation to support the eligibility of the 15 individuals reviewed.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether T.H.E. maintained documentation to support the services billed to DHSP, whether clients received the billed services, and the Agency collected fees from eligible clients in accordance with their County contracts.

Verification

We visited two T.H.E. service sites, and reviewed the case files for 15 (4%) of the 417 clients that received services from March 2013 through February 2014. We also determined whether the Agency collected fees from clients in accordance with their approved client fee schedule.

Results

T.H.E. maintained documentation to support the services provided to the 15 clients reviewed. However, the Agency inappropriately collected fees from five (33%) of the 15 clients reviewed because T.H.E.'s client fee schedules were not in compliance with Ryan White requirements. In addition, T.H.E. did not obtain approval from DHSP for their client fee schedules as required by their County contracts.

Recommendations**To Help Everyone Health and Wellness Centers management:**

1. **Revise their client fee schedules to be in compliance with Ryan White requirements.**
2. **Obtain approval from the Division of HIV and STD Programs for their client fee schedules, when required by their County contracts.**

CASH/REVENUE**Objective**

Determine whether T.H.E. properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and if bank account reconciliations were prepared timely, and reviewed and approved by Agency management.

Verification

We interviewed T.H.E. management, and reviewed their financial records and January 2014 bank account reconciliations for three bank accounts.

Results

T.H.E. properly recorded revenue in their financial records, deposited DHSP cash receipts timely, and bank account reconciliations were reviewed and approved by Agency management.

Recommendation

None.

COST ALLOCATION PLAN/EXPENDITURES**Objective**

Determine whether T.H.E. developed their Cost Allocation Plan (Plan) using an appropriate cost allocation methodology, and if expenditures charged to DHSP were allowable, properly documented, and appropriately allocated.

Verification

We interviewed T.H.E. personnel, and reviewed their Plan and financial records for 14 non-payroll expenditures, totaling \$10,342, that the Agency charged to DHSP from December 2012 through October 2013.

Results

T.H.E. did not appropriately allocate expenditures related to their medical outpatient and mental health psychiatry contracts. Specifically, the Agency charged DHSP up to the budgeted amounts for most approved costs, regardless of payer source. The Billing and Payment paragraphs of their County contracts indicate that DHSP should not be billed for items or services covered by other payer sources. As a result of not adhering to their County contracts' requirements, T.H.E. charged DHSP for expenditures that should have been allocated to other payer sources. We recalculated the amounts that should have been charged to the DHSP contracts, using the ratio of DHSP client visits to total client visits. Our recalculation determined that T.H.E. overbilled DHSP \$79,126 for Contract Year (CY) 2012-13. After our review, the Agency provided documentation to support additional costs incurred that were not originally posted to the Agency's financial records accurately. This resulted in the questioned costs being reduced to \$7,841 (\$79,126 - \$71,285).

In addition, T.H.E. charged for pharmaceutical supplies, office supplies, and printing expenditures that were billed based on contract budgets, instead of actual conditions as required for the HIV testing contract.

Recommendations

To Help Everyone Health and Wellness Centers management:

- 3. Repay the Division of HIV and STD Programs \$7,841 (\$79,126 - \$71,285), or provide adequate documentation to support the expenditures.**
- 4. Reallocate all Contract Year 2013-14 costs by payer, and repay the Division of HIV and STD Programs for any overbilled amounts.**
- 5. Reallocate all pharmaceutical supplies, office supplies, and printing expenditures for the HIV testing contract based on an allowable**

methodology, and repay the Division of HIV and STD Programs for any overbilled amounts.

6. Ensure expenditures are allocated appropriately using allowable allocation methodologies.

PAYROLL AND PERSONNEL

Objective

Determine whether T.H.E. charged payroll expenditures to DHSP appropriately, and maintained personnel files as required.

Verification

We compared the payroll expenditures for six employees, totaling \$12,968 for September 2013, to the Agency's payroll records and time reports. We also interviewed employees, and reviewed personnel files for the six employees.

Results

T.H.E. maintained personnel files as required. However, as indicated in the Cost Allocation Plan/Expenditures section, the Agency did not allocate expenditures appropriately, which included payroll costs.

Recommendation

Refer to Recommendation 6.

COST REPORTS

Objective

Determine whether T.H.E.'s CY 2012-13 Cost Reports reconciled to their financial records, and if the Agency's administrative costs were within their contracts' ten percent limits.

Verification

We compared the Agency's CY 2012-13 Cost Reports to their financial records. We also determined whether T.H.E.'s administrative costs were within their contracts' ten percent limits.

Results

T.H.E.'s administrative costs were within their contracts' ten percent limits. However, the Agency's CY 2012-13 Cost Reports did not reconcile to their financial records, resulting in a \$57,699 variance. There were no questioned costs because the Agency was not overpaid. However, T.H.E. should ensure that Cost Reports are complete and accurate.

Recommendation

- 7. To Help Everyone Health and Wellness Centers management ensure Cost Reports are complete, accurate, and reconcile to their financial records.**



January 26, 2016

County of Los Angeles

Department of Auditor-Controller

To: John Naimo, Auditor-Controller

Subject: DHSP Contracts compliance review.

In the response to the DHSP review results regarding:

Recommendation 1:

T.H.E. Clinic Inc. revised client fee schedule and it is in compliance with Ryan White requirements.

Recommendation 2:

We send it for approval to the Division of HIV and STD Program.

Recommendation 3:

T.H.E. agrees to repay the Division of HIV and STD Programs \$7,841.00

Recommendation 4:

For 2013-2014 T.H.E. posted *actual full-cost* charges to the program GL. Payment under contract was less than actually incurred and there was no balance due to repay.

Recommendation 5:

T.H.E. Clinic Inc. reallocated all pharmaceutical supplies, office supplies and printing expenditures. Payment under contract was less than actually incurred and there was no balance due to repay.

Recommendation 6:

T.H.E. was using different allocation methodology to each program based on nature of expenditures:

- Payroll expenses are charged based on actual time delegated to the program, reflected in the timecards.
- Office supplies and Printing Expenditures are allocated based on a) Actual orders for the program and b) the ratio of FTE's in the program vs. total FTE's in the company if the orders were for the whole company.
- Pharmaceutical and medical supplies are allocated based on the ratio DHSP client visits to total client visits.

But since T.H.E. was not allowed to go over the budget by Department of Public Health contacts management – we billed at budgeted amounts.

Starting 2013-2014 Agency posted *actual full-cost* charges to the program GL, even if payment under contract was less than actually incurred. We were still invoicing the DHSP for the costs not to exceed the budgeted amounts.

Recommendation 7:

T.H.E. was charging DHSP up to the Budgeted per contract amounts for the approved costs instead of charging T.H.E.'s actual costs (that were allocated internally to the contract based on % of DHSP client visits to total client visits) – based on the instructions from Department of Public Health Division of HIV and STD contracts management, disallowing agencies to invoice/charge more that it was budgeted both monthly and annually. That is why in 2012-2013 T.H.E. allocated less costs to the program GL to stay within the contractual budget.

Starting 2013-2014 T.H.E. posted *actual full-cost* charges to the program GL, even if payment under contract was less than actually incurred.

Going forward T.H.E. management will ensure that Cost reports are complete, accurate and reconcile to the Financial records.

Sincerely,



Tatyana Klochko

Sr. VP & CFO, T.H.E. Clinic, Inc.